

CAPITAL ASSET ACCOUNTING AND CONTROL PROCEDURES

(Modified 8/31/03)

I. OBJECTIVES

The objectives of these capital asset accounting and control procedures include the following:

- A. To maintain proper accounting controls over capital assets acquired by the County.
- B. To assign responsibility for the safekeeping of assets to the appropriate managers.
- C. To establish standard procedures for the recognition in the accounting and capital asset program of acquisitions, disposals and transfers of capital assets.
- D. To ensure that all information needed for insurance purposes is obtained, and maintained on a current basis.
- E. To ensure that proper approvals are obtained and established procedures are followed for disposals of assets.
- F. To ensure compliance with accounting and reporting requirements as established by generally accepted governmental accounting standards.

II. ASSETS TO BE INCLUDED

- A. Assets with an expected useful life of 3 years or more and with an original cost of \$5000 or more shall be recorded in the accounting records and in the Capital Asset Records when they are acquired and/or put into service.
 - 1. **Land** - Copies of deeds of property purchased shall be provided to the Accounting Division from the County Administrator or County Attorney, with information on cost, condition at acquisition date of any buildings located on the land, and expected usage of the property. Land has an indeterminable useful life and is not depreciable.
 - 2. **Land improvements** - This category includes fencing, irrigation systems, landscaping, etc. which improve the value of the property, and which have a reasonably estimable useful life.
 - 3. **Buildings** - Buildings constructed, purchased, or acquired through donation shall be recorded in the accounting records and capital asset records when they are placed in service. Cost information shall be obtained from the CIP project accounting files or from land acquisitions.
 - 4. **Building improvements** - This category includes carpet, HVAC systems, new roofs, additions, etc. Cost information shall be obtained from the CIP

project accounting files, or from original invoices.

5. **Infrastructure** - Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, storm drainage, water and sewer systems, pump stations, wells, water towers, etc.
 6. **Major Movable Equipment** - This category includes vehicles, off-road equipment, computers, furniture, office equipment, electronic communications systems, or other movable assets with an original cost of \$5000 or more which have a useful life of three years or more.
- B. Appropriate legal and descriptive records (for example, deeds, maps, and listings) shall be maintained by the Accounting Division for ALL capital assets, including infrastructure capital assets.

III. PURCHASES AND DONATIONS OF ASSETS

- A. Purchases, donations, condemnations, confiscations and sales of land and/or buildings must be reviewed by the County Attorney and approved in detail by the County Commissioners.
- B. The Accounting Division shall be informed by the department heads of ALL donations of capital assets to the County and the estimated fair market value of each donated asset. The information shall be documented on the **CAPITAL ASSET PURCHASE FORM. (EXHIBIT A)** Donated assets include developer-contributed water and sewer systems, water towers, roads, right of ways, or other land improvements; also, any condemnations or confiscations of capital assets. The Accounting Division shall record these donated assets in the accounting records and in the capital asset program at their estimated fair market value at the time of the donation, in accordance with generally accepted accounting principles.
- C. The purchase of all capital assets must be documented by the requisitioning department on the **CAPITAL ASSET PURCHASE FORM**. This form is used to document, for accounting AND insurance purposes, information on the capital asset purchased and, if applicable, information on trade-ins. The requisitioning department shall complete and forward this form to Purchasing at the same time they prepare the on-line or manual requisition for capital outlay purchase. The CAPITAL ASSET PURCHASE FORM will then be routed by purchasing to the CFA coordinator (if the asset is a vehicle or heavy equipment) or directly to accounting. The vehicle shall not be operated until the vehicle is added to the County's insurance policy and vehicle tags are obtained. **Any use or operation of a vehicle or equipment before obtaining vehicle tags and/or before placing**

the vehicle or equipment on the County's insurance policy is strictly prohibited and shall be reported to the County Commissioners.

- D. Accounting is responsible for tagging the capital assets with a County Asset identification tag. (Exception: Computer equipment may be tagged by IT staff upon receipt in the IT department, and before the equipment is installed at the destination.)
- E. Acquisitions of any movable equipment made in conjunction with the erection or renovation of a building or other CIP project shall be reported on the **CAPITAL ASSET PURCHASE FORM** similar to individual purchases of capital assets, as explained in III.C. above.
- F. Accounting performs the following steps:
 - 1. Matches the form to the original invoice to determine the original cost,
 - 2. Locates the item and tags it with a numerical, bar coded tag (except vehicles and off-road equipment).
 - 3. Records the asset in the capital asset program and in the accounting records.
 - 4. Returns a copy of the CAPITAL ASSET PURCHASE FORM to the Department Head to inform them that the asset has been tagged and placed on the capital asset inventory listing for which they are responsible.

IV. TAGGING OF ASSETS

- A. All major movable equipment, except vehicles and off-road equipment must be tagged with a Charles County Commissioners bar coded asset tag. This includes assets purchased with county or grant funds which are located in the offices of other elected officials or appointed boards, including the Treasurer, Sheriff, Clerk of the Circuit Court, State's Attorney, elected or appointed judges, Election Board, Liquor Board, other agencies or boards whose capital outlay is funded directly by the County Commissioners of Charles County. Tagging shall be performed by the Accounting staff of the Department of Fiscal Services.
- B. Vehicles and off-road equipment shall be assigned a unique equipment code by the CFA Coordinator, which is the code used for tracking fuel and maintenance costs.
- C. On-road vehicles and equipment shall be tagged with Local Government license plates (except Sheriff vehicles) and included in the County vehicle insurance

policies before being placed in service, as stated in III.C. above. Sheriff's vehicles shall be tagged and included in the Sheriff's vehicle insurance policies before being placed in service.

V. TRANSFERS OF CAPITAL ASSETS

The "sending" department shall complete SECTION 1 of the CAPITAL ASSET DISPOSAL/TRANSFER FORM (EXHIBIT B) and forward the form to the Receiving Department/Division. The Receiving Department/Division completes Section 2 of the form and forwards it to the CFA Coordinator (if the asset is a vehicle or heavy equipment) or to Accounting. Accounting will record all asset transfers in the accounting records and in the capital asset program, and will inform the "sending" and "receiving" departments of the changes in their capital asset property listings.

VI. DISPOSALS OF ASSETS

- A. Section 203-11 of the Charles County Code of Public Local Laws addresses the policies for disposition of surplus property, which says that "the Purchasing Agent is responsible for the disposition of surplus, obsolete and scrap supplies and equipment. Disposition may be made in any of the following ways:
 - 1. Request vendor to substitute for other material,
 - 2. Return to supplier for credit,
 - 3. Outright sale via advertised bid or auction,
 - 4. Scrapping,
 - 5. Trade-in.
- B. All agencies shall periodically submit to the Chief of Purchasing a listing of any supplies and equipment which are no longer used or which have become obsolete or worn out. This listing should include a full description, and when and where the item(s) can be inspected. The Chief of Purchasing, or his designee, will review all lists to determine the possible use of any surplus by another agency. Purchasing will decide and coordinate with the department for the proper disposal method. **No asset, regardless of original or remaining scrap value, may be disposed without the approval of the Chief of Purchasing regarding the method for disposal.**
- C. The department/division shall complete Section 1 of the **CAPITAL ASSET DISPOSAL/TRANSFER FORM** for ANY capital asset disposal. This form is then forwarded to the CFA Coordinator (if vehicle or heavy equipment) or directly to Purchasing (if not vehicle or heavy equipment). The actual disposal will be coordinated through Purchasing. When the capital asset is disposed, the form is forwarded to Accounting for processing. Accounting shall record the disposal of the asset in the accounting records and in the capital asset program,

and shall inform the department of the change made to their capital asset property listing.

- D. When capital assets are “traded-in” during the purchase of a new asset, the **CAPITAL ASSET DISPOSAL/TRANSFER FORM** should be used to record the disposal of the old asset at the “trade-in value” *and* the **CAPITAL ASSET PURCHASE FORM** should be used for the purchase of the new asset at the sale price - not the net price. Please note that “trade-ins” are disposals and the proper authorization must be obtained from Purchasing prior to the transaction.
- E. Capital assets which are damaged and deemed un-repairable or “totaled” by the insurance company are to be treated as being disposed and the above procedures should be followed. These items should be coordinated with the Risk Manager.

VII. EXCEPTION REPORTS

Capital asset listings are subject to audit at any time by the Internal Auditor or by the Accounting Division. Spot checks shall be done periodically. Exceptions noted (including assets observed which are not tagged, assets on the inventory listing which are not found, assets recorded in the wrong location, etc.) will be reported to the department heads, who shall then submit a resolution report to the Internal Auditor or the Accounting Division, whichever performed the audit. Violations of procedures or unexplained exceptions shall be reported to the County Commissioners.

VIII. CAPITAL ASSET INVENTORY REPORTS

Capital Asset Inventory Reports may be obtained upon request from the Accounting Division. These reports shall be distributed by Accounting each year to the Department head. Assets on these listings are ultimately the responsibility of the department head, who may assign interim responsibility to division chiefs or other staff members for segments of the total report. The department head shall be responsible for informing the Accounting Division of any information in the listings that they dispute (with supporting documentation attached), and shall submit a confirmation letter to Accounting by mid-August of each year confirming that they and their staff have reviewed the report and accept the final report as of June 30.